



# Farm Credit Services OF MID-AMERICA

November 4, 2011

Mr. Gary K. Van Meter, Director  
Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Subject: Proposed Rule: 12 CFR Part 615, RIN 3052-AC50 Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Investment Management

Dear Mr. Van Meter:

FCS of Mid-America submits the following comments in response to the Proposed Rules as requested in the referenced Federal Register:

## **Federal Register Statement**

Accordingly, we propose to add paragraph (b) to § 615.5142. Paragraph (b) would require that before an association purchases an eligible investment for the purpose of managing surplus short-term funds, it must ensure that the investment's repricing and maturity characteristics match the characteristics of the surplus short-term funds to be invested.

## **Response**

We support adding the paragraph as described but believe that there may be slight mismatches in terms of repricing reset dates and maturity dates that may be managed successfully within association asset liability policies.

## **Federal Register Statement**

In addition, although we do not propose this as a requirement at this time, we believe that in order for an investment to be made for the purpose of managing surplus "short-term" funds, the funds generally should be invested in instruments that are "overnight" or that have maturities of 30 days or less. We seek comment on whether we should define surplus short-term funds and if so how. Further, is our belief that surplus short-term funds should only be invested in overnight investments or in investments with maturities of 30 days or less appropriate?

## **Response**

We do not support a narrowing of the definition of "short-term" funds especially if it hinders associations from using current authorities to serve our mission to serve the agricultural and rural marketplace. Associations have used current authorities to purchase guaranteed investments creating liquidity for commercial banks to serve agriculture and rural communities, to purchase guaranteed annuities (e.g., tobacco buyout to allow farmers to

more quickly transition their operations to other farming purposes) and build significant regulatory capital benefitting current and future members. Further, the association investment portfolio does represent additional liquidity as they may be sold in an active secondary market. These investment opportunities are not overnight or 30 days in length. The "short-term" description may better describe Farm Credit Bank investment portfolios and perhaps such clarification may be appropriate. If "short-term" surplus funds must be further defined for associations, we would suggest wording such as "the unused borrowing base capacity as defined by the funding bank in the GFA."

If there are specific instruments FCA believes should be excluded from association use, it may be useful for regulations to provide more specific guidance. We believe associations need the ability to invest in USDA, FSA, SBA and other fully guaranteed loans, pools and other structures. This is consistent with informational memorandum issued June 30, 2011 from Gary Van Meter, USDA Guaranteed Investments, the December 9, 2010 Bookletter 064 and an informational memorandum dated October 17, 2006 from Andrew Jacob authorizing zero percent capital risk weight of guaranteed portion of loans purchased in the secondary market.

#### **Federal Register Statement**

Lastly, is our proposed limitation on the permissible characteristics of investments purchased for the purpose of managing surplus short-term funds appropriate for associations, or does it unreasonably restrict an association's ability to properly hold and manage investments?

#### **Response**

We believe that if surplus "short-term" funds is defined improperly, associations would be unreasonably restricted from holding and managing investments. As referenced above, restrictions may be desirable as they describe Farm Credit Bank investment portfolios but we urge consideration of how associations use investments to benefit their members and the System.

Questions regarding this response may be directed to Paul Bruce, SVP of Financial Operations and Chief Financial Officer.

Sincerely,



William L. Johnson  
President and CEO